



PROCEDURAL STATEMENT

Procedural Statement Title: Foreign Currency Procedure

Functional Area: Research Administration

Effective Date: September 30, 2015
Approved by: Denitta D. Ward, Assistant Vice Chancellor for Research and Director, Office of Contracts and Grants
Laura Ragin, Assistant Vice Chancellor and Controller
Responsible Office: Office of Contracts and Grants and Sponsored Projects Accounting
Applies to: Applies to all sponsored projects that involve payment in foreign currency.

I. INTRODUCTION

The University is participating in an increasingly global world—which has many positive benefits, but also creates some challenges. One of those challenges is accepting research paid in a foreign currency. Accepting an agreement in a foreign currency creates Foreign Exchange Risk for the University. To address this risk, a foreign currency reserve will be required as a budget item (along with bank transaction fees) for all sponsored projects where payment is made in a foreign currency. The Office of Contracts and Grants (OCG) Proposal Analyst will budget an estimated amount during the proposal stage. The OCG Officer will attempt to negotiate favorable language during the agreement review. The Sponsored Projects Accounting (SPA) Cash Management Accountant will provide information about cash receipts compared with the budget. While these actions are attempts to mitigate the risk, the Principal Investigator (PI) and the department are ultimately responsible for the project, and the decision to accept such an agreement will require an acknowledgement of the responsibility for this risk.

II. PROCEDURAL STATEMENT

A. Proposal Development

- During the proposal development process, the OCG Proposal Analyst will work with the PI and department to develop and review the budget. As a line item in the budget, a foreign currency reserve will be included.
- Historical information indicates that the average foreign currency variation for sponsored projects has been 15%. The OCG Proposal Analyst will include a line item for a foreign currency reserve of at least 15% of total project costs. (For some projects, a higher reserve amount may be needed).
- Bank transaction costs of \$50 a month will also be budgeted. If payment is known to be less than monthly, then the cost will be reduced accordingly.
- Prior to submission, the department chair, or a similar authorized official, will be required to provide an email agreeing to submit a foreign currency proposal, and accepting the risk. If an award is made, the foreign exchange risk acceptance form will need to be completed.

B. Award Negotiation/ Acceptance

- During the award negotiation, the OCG Officer will attempt to negotiate favorable language for the University. Such language may include payment in US dollars (removing the award from the foreign currency procedure), advance payment of all funds, or an accelerated payment schedule to reduce the risk, and, or sponsor assumption of the risk where an increase in the foreign currency costs relative to the US dollar would result in an increase in the award value.

- If the sponsor is unwilling to accept this risk, then an authorized official for the department will need to sign the foreign exchange risk acceptance form. On the form, the department will need to provide a SpeedType that will be charged at the end of the project if the foreign currency reserve is insufficient or if the cash receipts do not match the expenditures.
- If the budget does not include the foreign currency reserve, an internal revised budget will be required. The Officer will work with the PI and department to make the adjustment.

C. Award Management/Completion

- The SPA Project Setup Accountant will use the account codes: 552685 and 552686 for the reserve. This account code is an internal budget account type. The value in InfoEd will be the authorized award budget value in dollars at the time of award or modification. This will be the starting value in PeopleSoft as well.
- The SPA Cash Management Accountant will communicate with the PI/department about cash receipts compared to the budget upon receipt of each cash payment from the sponsor.
 - To reflect the current exchange rate on cash receipts from the sponsor, the SPA Cash Management Accountant will track currency fluctuations on each cash receipt received from the sponsor.
 - The SPA Cash Management Accountant will post the Budget Journal Entries (BJEs) required to adjust the budget. The budget will be adjusted when the actuals received are greater or less than the budgeted amount. For example, if the budgeted amount is 10,000 euros at \$7,500 dollars, but the invoiced amount for 10,000 euros results in actuals of \$5,000, the reserve will be decreased by \$2,500. Adjustments will be made to account codes 552685 and 552686.

III. DEFINITIONS

Foreign Exchange Risk—when payment is made to the University in a currency other than US Dollars, this currency must be converted to dollars, and the risk is that the value at the exchange time has decreased for the original budgeted/ anticipated value.

IV. RELATED POLIES, PROCEDURES, FORMS, GUIDELINES, FAQs AND OTHER RESOURCES

- A. Forms: Foreign Exchange Risk Acceptance Form
- B. Other Resources: Cognos m-Fin Payments Received
- C. Frequently Asked Questions (FAQs): TBD

V. HISTORY

In the past, OCG has attempted to address foreign currency awards by setting up the budget at the exchange value at the time of award and communicating with the department about the foreign exchange risk. However, this process was inconsistent and the authorized officials within the department were not always informed. The result was that when cash receipts did not match the budget, and the expenses had to be moved, there was no advance notice or time to adjust spending resulting in conflict between the central administration and the campus departments and institutes. In an attempt to address this issue in a more proactive manner, the ReAL team, in collaboration with campus departments and institutes, has come up with this draft procedure.

VI. KEY WORDS (foreign, currency, exchange rate, reserve, cash, US dollars, foreign exchange risk)